

PREFACE TO THE FY 1999 TRADE COMPLIANCE PROCESS ANNUAL PLAN

Fiscal Year 1998

As part of the National Customs Automation Program (NCAP) Prototype, Customs successfully implemented the initial release of the Automated Commercial Environment (ACE) -- a fully electronic cargo release processing system. Customs also completed design and programming for a fully electronic cargo examination processing system, which commenced in the three NCAP Prototype ports on September 30, 1998. Analytical tools such as the Trend Analysis and Analytical selectivity Program (TAP) and the Customs Automated Port Profile System (CAPPS) were enhanced and transferred to the ports for their use.

Drawback and Record keeping regulations were finalized and implemented. All regulatory projects required by the Mod Act were completed.

The Compliance Assessment (CA) approach to audit continued to be refined and improved. To maximize the effectiveness of the CA approach, we developed and initiated the Importer Compliance Monitoring Program, which permits highly compliant importers to do self assessments of their compliance.

The Compliance Measurement (CM) program also continued to be refined and used by the Customs Service to meet the requirements of the Government Performance and Results Act and other laws. The linkage between CA results and the level of CM for individual accounts was strengthened to promote the integrated trade measurement system.

The Account Management program was expanded to 241 accounts at all service ports. This is well beyond our goal of 150 major accounts.

Customs very successful Primary Focus Industry (PFI) based approach continued. Subplans for each PFI within the Trade Compliance and Enforcement Plan, strategies to increase compliance and detect noncompliance, were implemented to meet our compliance rate targets. Subplans were also implemented for selected Trade Priority issues: Anti-Dumping/Countervailing Duties, Intellectual Property rights, and Trade Agreements.

With the information we have from CAs and four years of CM, we have identified major compliance problems and their root causes. Customs growing ability to combine data-driven analysis with field expertise is a key strength. We also capitalized on that strength through port involvement in the MARC 2000 (Multiport Approach to Raise Compliance) project. It is a program built to maximize Customs effect on industry compliance: to reach Customs revised goal of 95% compliance in PFIs by the year 2004. Beginning with production equipment, bearings and gloves, ports, CMCs, STCs, OI, the National Import Specialist Division, and the labs implemented coordinated national action plans to raise compliance in these industries.

Finally, Customs made substantial progress in achieving its goal of securing increased international cooperation. We concluded mutual assistance agreements with two of our major trading partners, Japan and the European Communities. We established an effective partnership with the international trade community and "forward looking" customs administrations to

promote the goals of Customs procedural modernization and harmonization throughout the world.

Of the 69 initiatives in the Trade Compliance Annual Plan, 54 (78%) were completed. Another five initiatives were terminated. The initiatives being carried over into the 1999 plan are automation projects and projects that were longer-term in nature.

Fiscal Year 1999

Customs will continue its drive to improve its systems and regulatory framework to achieve higher levels of trade compliance. Contingent upon sufficient ACE funding, Customs will expand ACE processing to additional border ports and implement monthly national statements, monthly electronic entry summary processing and reconciliation.

Although the regulatory revisions to implement the Mod Act were published in 1998, full implementation of the revised regulations will continue. We will continue our efforts to modernize other areas of the Customs regulations to maximize efficiency and customer service.

Proactive internal and external education programs and a revised Pre-Importation Review Program (PIRP) will supplement the issuance of binding rulings and advice to form the cornerstone of Customs Informed Compliance Program. The Account Management program will expand to cover 600 major accounts.

The CM program will be refined to meet goals consistent with the Results Act and other requirements. The focus on CM will be to enhance the quality and utility of the data to raise compliance and to integrate the CM system into an integrated risk management system. There will also be a strong emphasis on improving the quality and utility of NAFTA data.

The CA approach to audit will be refined and improved to maximize effectiveness and coverage. The CA program along with the CM system will be included into the risk management system.

Customs very successful PFI based approach will continue. Subplans for each PFI will be implemented to meet our compliance rate targets for 1999. MARC 2000 (Multiport Approach to Raise Compliance) will be expanded to include additional focus areas. Subplans will be implemented for selected Trade Priority issues. When informed compliance does not achieve the goals of increasing compliance, a variety of enforced compliance strategies will be applied.

Finally, we will continue to aggressively promote U.S. standards and interests in international meetings.

FY 1999 TRADE COMPLIANCE PROCESS ANNUAL PLAN

STRATEGIC GOAL

To maximize trade compliance through a balanced program of informed compliance, targeted enforcement actions, and the facilitation of complying cargo.

STRATEGIC OBJECTIVES

- A.** Complete the Process Redesign, Enabled by an Open, Automated System, and Implement the Customs Modernization Act.
- B.** Implement Programs Designed to Increase Compliance and Manage the Risk of Non-compliance.
- C.** Administer and Enforce the North American Free Trade Agreement (NAFTA) and Other Trade Agreements.
- D.** Increase Cooperation with International Organizations and Associations, Regional Customs Fora, and Foreign Customs Administrations.
- E.** Improve Fiscal Management of the Trade Compliance Process to Support the Requirements of the CFO Act.

MEASURES

- I. 90% overall compliance level of HTS #s at 4-digit level by 2004.
- II. Achieve 95 percent compliance with trade laws in key industries by 2004.
- III. Continue to collect at least 99 percent of the entered duties, taxes, and fees.
- IV. Support CFO Act requirements, as measured by Unqualified Opinion.

MEASURE		FY 1999 TARGET	FY 1998	FY 1997	FY 1996	FY 1995
I. Compliance Level		85%	83%	81%	82%	79%
II. Compliance in Key Industries	Agricultural	89%	87%	90%	90%	NA
	Automobile Parts	89%	76%	82%	81%	NA
	Automobiles	95%	93%	97%	91%	NA
	Trucks	95%	93%	95%	NA	NA
	Communications					
	- Telecommunications	85%	77%	76%	81%	NA
	- Advanced Displays	89%	89%	83%	86%	NA
	- Board Level Products	89%	83%	81%	82%	NA
	Critical Components					
	- Bearings	89%	83%	86%	77%	NA
	- Fasteners	89%	85%	90%	85%	NA
	Footwear	89%	N/A	85%	85%	NA
	Production Equipment	85%	76%	74%	71%	NA
	Steel	89%	78%	82%	80%	NA
	Textiles					
	- Textile Products	89%	84%	81%	83%	NA
	- Wearing Apparel	89%	89%	87%	88%	NA
III. Revenue Collection		99%	99%	99%	99%	99%
IV. CFO - Unqualified Opinion		Yes	NA	Yes	Yes	NA

NA = Not Available

FY 1999 TRADE COMPLIANCE PROCESS ANNUAL PLAN ACTIVITIES

OBJECTIVE A:

Complete the Process Redesign, Enabled by an Open, Automated System, and Implement the Customs Modernization Act.

1. Design, Test and Prototype Key Features of Process Redesign/ACE

- a. Implement and test Track 4 cargo exam and entry summary processing with NCAP/P participants; expand NCAP/P to additional ports and participants.
- b. Develop data warehouse to support trade analysis.
- c. Test and implement a targeting engine which will support a single targeting approach for cargo examinations and data reviews.
- d. Complete the design of ACE entry reconciliation and initiate reconciliation processing in NCAP/P. Prototype ACS reconciliation at all service ports.
- e. Expand the number of Service Ports capable of processing remote-filed entries to 35; expand trade participation in the Remote Location Filing Prototype (RLFP) and review the possible inclusion of additional entry types in RLFP.
- f. Prototype periodic filing of entry summaries and payment for NCAP/P participants. Evaluate biweekly statement processing in ACS for possible expansion to additional ports and participants.
- g. Prototype a violation billing program in Seattle and Miami with limited ACS support, pending resolution of ACE funding.
- h. Prototype an accounts receivable system for trade compliance debts related to the NCAP/P.
- i. Test a new automated quota process, that contains a discrepancy summary at the end of the quota cycle, to enable paperless processing for all quota-class merchandise regardless of location and conveyance.

2. Implement and Modernize Regulatory Requirements

- a. Finalize U.S./Israel Free Trade Area implementing regulations.
- b. Finalize Broker regulations.
- c. Finalize revised cargo control (including vessel repair), vessel entrance

and boarding, and General Order penalties regulations.

3. Establish Ongoing Customer/Stakeholder Feedback Mechanism

- a. Conduct a trade survey, in conjunction with the OMB, to measure overall customer satisfaction with the account management program and the Trade Compliance Process.
- b. Conduct four industry round tables and quarterly meetings with Sureties, and use key trade association meetings as mechanisms to elicit feedback on Trade Compliance Issues.

4. Conduct International Trade Prototype with Her Majesty's Customs and Excise (U.K.)

Implement and test the integration of export and Track 4 import reporting for ocean and air cargo with U.K. Customs.

OBJECTIVE B:

Implement Programs Designed to Increase Compliance and Manage the Risk of Non-compliance.

1. Detect Areas of Non-compliance. Through Informed Compliance and Coordinated Enforcement Actions, Raise Compliance Levels in Primary Focus Industries and Importations Overall

- a. Develop and implement national Subplans to improve compliance in the Primary Focus Industries (PFI) and in selected Trade Priority Issues (TPI).
- b. Develop and implement a continuous process and the criteria to identify our strategic focus for trade compliance, include a review of existing PFIs and TPIs and identify significant emerging issues in order to develop effective strategies.
- c. Expand MARC 2000 to include Express Consignment Operations. Measure the increase in compliance using CM and estimate Customs resources necessary to affect that increase.
- d. Conduct four national training classes for field import specialists in textile transshipment and fraud detection techniques and add 10 trained textile import specialists and six special agents to the pool assigned to conduct textile transshipment operations in selected countries to verify production capabilities.

- e. Expand the use of decision support tools in the ports and prototype new tools (e.g., MATS), to assist in the analysis of noncompliance and to improve the transfer of useful technology from Headquarters to the ports.
- f. Expand our proactive external education program on complex trade issues to supplement ongoing outreach efforts:
 - (1) Develop and issue 5-7 informed compliance reports to the trade.
 - (2) Prepare and disseminate at least one video production on high interest trade concerns.
- g. Implement a revised pre-importation review program to comply with the shared responsibility tenets of the Mod Act.
- h. Prototype the Port Specialization and Trade Team concepts for one year in at least four locations.

2. Refine the Comprehensive Compliance Measurement Program and Address Companies That Are Less Than 90 Percent Compliant

- a. Conduct up to 80,000 CM examinations and entry summary reviews based on statistically valid criteria. Incorporate an automated means to distinguish between significant and insignificant discrepancies to refine the identification of significant areas of non-compliance.
- b. Implement a consistent and integrated process to use the results of CM and CA to determine the appropriate level of CM for accounts (i.e., highly compliant accounts would receive less scrutiny while non-compliant accounts would receive more.

3. Improve Accuracy in Key Statistics

- a. Analyze CAPPS data with Census to determine the statistical validity of the import statistics transmitted to Census.
- b. Identify priority areas for specific focus in to move us closer to our long-term goals of 95 percent PFI and 90 percent overall for compliance.

4. Continue Importer Account Approach. Expand to Several Hundred Additional Accounts

- a. Expand national importer accounts to 200.
- b. Expand number of port accounts at service ports to 400.

- c. Evaluate broker account management prototype. Based on results, expand the program to five additional companies.

5. Conduct Compliance Assessments of Primary Focus Industry Importers

- a. Initiate 44 and close 140 CAs.
- b. Streamline the audit planning process to develop audit candidates and coordinate with other offices within Customs sooner.
- d. Pilot the Importer Compliance Monitoring Program (ICMP), which allows companies to monitor their own Customs transactions and conduct statistical sampling tests to determine compliance levels.

6. Assess and Prioritize Violations and Allegations and Select Appropriate Enforcement Actions

Establish the Enforce Evaluation Team concept at 12 Service Ports/SAIC/RAC locations and implement and evaluate SOPs on referral of significant non-compliance and potential violations of trade laws and regulations.

7. Develop Per Unit Cost of Trade Compliance

- a. Establish a baseline for the time spent on various trade compliance activities.
- b. Begin attributing cost data to trade compliance activities.

8. Investigate and Refer for Prosecution, Non-compliant Importers, Exporters and Brokers and Provide a Highly Visible Deterrent Factor (See Enforcement Systems Business Area).

9. Program Evaluation

Conduct a program evaluation of trade enforced compliance programs, as set forth in the Strategic Plan.

OBJECTIVE C:

Administer and Enforce the North American Free Trade Agreement (NAFTA) and Other Trade Agreements.

1. Continue to Implement Accurate Measurement Systems for NAFTA

NAFTA CM will include:

- a. 800 randomly selected commodity lines for mandatory verification, at least 40 will be verified by a visit to the exporter or producer;
- b. 300 randomly selected NAFTA 520(d) lines for mandatory verification, at least 15 will be done by a visit to the exporter or producer;
- c. a methodology for selecting a sample for CM of NAFTA reconciliations;
- d. 200 randomly selected NAFTA duty deferral claims for mandatory verification; and
- e. an analysis of the 20-25 percent of NAFTA claims in the overall CM.

2. Improve Country of Origin Verification Through Targeting and Integration of Efforts Related to Joint Verification Teams (JVTs) and Port Verifications Utilizing the National NAFTA Target Committee (NTC)

- a. Select candidates for Joint Verification Teams and conduct 40 verifications.
- b. Conduct 1,000 port-initiated verifications.
- c. Initiate a second round of verifications for manufacturers/exporters and high-risk companies to establish patterns of conduct.

3. Refine the NAFTA Data Management Information System as a Means of Improving Communication, Coordination, Results Tracking, and Use of Resources

Analyze and use trade database information to develop a national NAFTA strategy. [All major NAFTA ports of entry will provide data to North Star Commercial (NSCOM). NSCOM, in turn, will provide monthly database updates to the ports. All manual ports will continue to transmit paper to NSCOM.]

4. Refine the Informed Compliance Approach, Providing the Commercial Customer with the Information and Tools to Comply Voluntarily with NAFTA Requirements

Initiate U.S. document posting to the NAFTA Internet Web-site.

5. Provide Technical Support and Assistance to the Office of the U.S. Trade Representative (USTR) and Other Agencies to Conclude, Administer, and Enforce Trade Agreements Effectively

Represent the U.S. position in Textile and other negotiations, as needed, and provide U.S. Trade Representative experts support in the areas of valuation, rules of origin, and IPR.

OBJECTIVE D:

Increase Cooperation with International Organizations and Associations, Regional Customs Fora, and Foreign Customs Administrations.

1. Promote Standardized Customs Processing Through Implementation of the “Customs Guidelines” and Establish Best Practices

- a. Disseminate the Customs Guidelines in training sessions, regional and trade association meetings, overseas advisory assistance projects, and briefings to international visitors.
- b. Provide Customs assistance in IPR and valuation to countries to meet their WTO commitments.
- c. Address international information exchange needs and U.S. Government confidentiality requirements in order to develop a seamless transaction process between countries.

2. Develop and Implement Mutual Assistance Agreements

- a. Conclude Customs Mutual Assistance Agreements (CMAAs) with Chile, Kuwait, Kyrgystan, Luxembourg, Panama, and Peoples Republic of China.
- b. Develop CMAAs with Estonia, Lithuania, Mexico, Philippines, and Vietnam.

3. Promote U.S. Trade Issues in the World Customs Organization (WCO)

Participate in the revision of the International Convention on the Harmonization and Simplification of Customs Procedures (Kyoto Convention) to ensure its

delivery to the WCO in June.

4. Lead Implementation of the Asian Pacific Economic Cooperation (APEC) Initiatives

- a. Integrate three new members (Russia, Peru, and Vietnam) into the APEC Customs Collective Action Plan. Promote risk management implementation with Russian Customs.
- b. Complete development of specialized training programs in IPR and valuation and begin its delivery to target customs administrations, under the APEC technical assistance program.
- c. Complete three assessments of express delivery procedures in target countries.
- d. Begin development of APEC Customs Code of Conduct to provide an international Customs Integrity standard.

5. Develop U.S./Canada and U.S./Mexico Border Initiatives

Review US/Canada Shared Border Accord accomplishments and goals to identify new commercial processing initiatives.

6. Support Development of the Free Trade Area of the Americas (FTAA)

- a. Establish a Customs-wide Task Force to coordinate U.S. responses to FTAA issues and to provide consistent and thorough participation in FTAA discussions.
- b. Promote the creation of an ad hoc technical body within the Market Access Group to consider customs procedural matters; to strengthen bilateral relationships; and to ensure their continued support for direct Customs participation in FTAA negotiations.

OBJECTIVE E:

Improve Fiscal Management of the Trade Compliance Process to Support the Requirements of the CFO Act.

1. Maintain Import Collection Efficiencies of at Least 99 Percent.

Initiate actions to maintain a 99 percent compliance level for import revenue.

2. Implement New Drawback Regulations

- a. Complete 11 national drawback policy memos pertaining to the new regulations, to include Notice of Intent to Export, Exporter Summary Procedure, 19 U.S.C. 1313(j)(2) Commercial Interchangeability, Drawback Manufacturing Rulings, etc.
- b. Conduct two Drawback training classes at the Customs Academy.
- c. Conduct nine outreach sessions for both Customs and the Trade.
- d. Finalize and publish Drawback penalty regulations.

3. Implement the In-bond Action Plan

Using a universe of about 600 in-bond shipments, implement a statistically valid sampling procedure for in-bond examinations at either the ports of origin or destination and for post audits. Post audits will be performed on all examined in-bonds shipments followed by audits at 60 and 90 days.

4. Refine the Automated Seized Property and Penalties Interface

Complete functions for promissory notes, claim and cost bonds, airport security violations, commercial fraud violations, failure to declare violations, currency violations, passenger and crew violations, and broker penalties.